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U.S. Agency for International Development Report to Congress on Regional and Worldwide Small Business Goals

The U.S. Agency for International Development (USAID) submits this report pursuant to Section 7019(e) of Division K of Public Law 115-141, the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2018, which incorporates by references the requirements of Senate Report 115-152. The provision directs the USAID Administrator to update the report required under Senate Report 114-79, to cover Fiscal Year (FY) 2017 awards, and:

Include an update on the implementation of the directive in Senate Report 114-79 regarding setting goals for overseas contracts and subcontracts with U.S. small business. The USAID Administrator shall include in such report a description of the incentives provided to overseas mission employees to work with small local and U.S. businesses, and information on how USAID will achieve government-wide percentage goals for all prime and subcontract awards to small business. The USAID Administrator shall consider revising ADS 304 regulations to include the utilization of small businesses, and include a description of steps taken to do so in such report.

Background

USAID through its Office of Small and Disadvantaged Business Utilization (OSDBU), is responsible under the Small Business Act, Public Law 85-538, to “assist in the establishment, preservation and strengthening of small business concerns,” which translates in practical terms to creating contracting opportunities for U.S. small businesses. In carrying out this mission, USAID negotiates annual small-business prime and subcontract goals for the Agency with the Small Business Administration (SBA). The goals identify the percentage of Agency acquisition obligations USAID should award to U.S. small businesses. The Agency strives to meet these overall goals by establishing annual, small-business goals for each of its Bureaus, Independent Offices, and overseas Missions.

Prior to Fiscal Year (FY) 2016, the Agency’s U.S. small-business goal only applied to domestic awards. In FY 2016, USAID began applying the prime contract goal to its overseas Missions on a regional basis. In FY 2018, the Agency will expand its small-business program to establish individual goals for 16 Missions through its Mission Small-Business Goaling (MSBG) Program pilot. This report includes information about USAID’s progress in setting goals for the award of contracts to U.S. small businesses at all of its overseas Missions.

USAID’s Overall Small-Business Goal

In FY 2017, USAID’s Small Business Goal was to award 11.5 percent of prime-contract obligations, and 18 percent of subcontracts, worldwide to U.S. small businesses. The preliminary data indicate that USAID exceeded our prime-contract goal by awarding 13.16 percent of prime-contractor obligations to U.S. small businesses. As shown in the chart below, USAID awarded 21.81 percent of domestic prime-contract obligations, and 5.55 percent of overseas prime-contract obligations, to U.S. small businesses. The Agency awarded a total of

\$634.3 million to U.S. small businesses in FY 2017. This is the highest-dollar obligations the Agency has awarded to U.S. small businesses within a single Fiscal Year, and a significant increase from the \$571.1 million awarded worldwide in FY 2016.

Percentage of USAID's Acquisition Obligations to U.S. Small Businesses (SB)

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
<u>Domestic SB</u>	15.10%	20.81%	18.13%	23.83%	21.81%
<u>Overseas SB</u>	5.05%	7.33%	3.65%	5.02%	5.55%
<u>Worldwide SB</u>	8.25%	12.10%	9.32%	13.12%	13.16%
<u>Subcontracting SB</u>	23.70%	29.30%	24.30%	26.70%	16.90%

The Agency tracks its small-business accomplishments through data generated from three primary sources: 1) the Federal Procurement Data System (FPDS), which is the Federal Government's primary system to collect, create, and disseminate acquisition data; 2) the Electronic Subcontracting Reporting System (e-SRS), which is the official system used to report the distribution of Federal contracts among large and small contractors; and 3) USASpending.gov.¹

Implementation of Mission Small Business Goals

For FY 2018, the Agency launched a new MSBG Program pilot to expand its domestic small business goaling process to a portion of the Agency's Missions. Missions were selected from each region to participate in the pilot program. The MSBG Program pilot mirrors the process utilized for setting Bureau and Independent Office goals first established in FY 2012, involves reviewing and analyzing historical small business accomplishment data and which the acquisition plans for each participating Mission.

¹ There was a significant drop in the percentage of subcontracting dollars issued to small businesses by USAID prime contractors. The Agency's subcontracted dollar levels did not change significantly (\$126.8 million in FY 2016 and \$121.6 million in FY 2017), but represented a fraction of a substantially larger total, thus a significantly smaller percentage. The Agency now encourages overseas contracting officers to require small-business subcontract plans, and promotes more subcontracting to local organizations, whether or not they are small businesses.

The following Missions are participating in the FY 2018 MSBG Pilot:

Mission	Region	FY 2018 SB Goal
Ghana	Africa	3.00%
Liberia	Africa	10.00%
Tanzania	Africa	6.00%
Uganda	Africa	6.00%
Zambia	Africa	2.00%
Bangladesh	Asia	5.00%
Philippines	Asia	6.00%
Vietnam	Asia	16.00%
Pakistan	Afghanistan and Pakistan	2.00%
Bosnia and Herzegovina	Europe and Eurasia	20.00%
Ukraine	Europe and Eurasia	2.00%
Guatemala	Latin American and the Caribbean	15.00%
Honduras	Latin American and the Caribbean	13.00%
Peru	Latin American and the Caribbean	20.00%
Jordan	Middle East	2.00%
Morocco	Middle East	18.00%

The Agency intends to expand the MSBG program to half of the approximately 60 USAID Missions with acquisition obligations that exceed \$5 million by FY 2019. USAID expects to implement the MSBG Program to all Missions with acquisition obligations that exceed \$5 million by FY 2020.

In support of this pilot, USAID will continue to do the following: 1) broadly communicate the expansion of the small-business goals at USAID Missions through continued implementation of the Small-Business Programs Training program for procurement and technical officers; 2) communicate with senior staff overseas on the importance and benefits of working with U.S. small businesses, regardless of the place of performance of the contract; and 3) strive to facilitate increased marketing opportunities for U.S. small business representatives with USAID Missions.

Subcontracting Goals

The Agency applies subcontracting goals to the prime awards of our large business partners, and USAID encourages prime contractors to use their best efforts to comply with the Agency's subcontracting goals. USAID has not implemented subcontracting goals for Bureaus, Independent Offices or Missions. Solicitations identify these goals, and USAID evaluates each prime contractor's subcontracting plans as a part of its proposal. The Agency tracks efforts of the prime contractors by using the Electronic Subcontracting Reporting System (e-SRS), and documents this as part of the past-performance evaluation of each contractor.

The Agency recently released a Procurement Executive Bulletin on Subcontracting to ensure our staff members are aware of the requirements and their responsibilities relating to subcontracting. It remains challenging to set Mission-level subcontracting goals, in part because current subcontracting regulations only require reporting at the summary level for the base contract. In addition, Missions frequently issue Task Orders that have no independent subcontracting requirements.

Incentives to Use Local Organizations and U.S. Small Businesses

Incentives to increase work with local organizations include allowing Missions to make non-competitive awards to local organizations under \$5 million. The expediency granted by this exception to routine competition serves as an incentive for USAID's field staff to use local organizations. Similarly, the ability to conduct sole-source awards to U.S. small businesses by using the 8(a) program also serves as an incentive to use the Small-Business Program.

In addition, USAID recently added the use of U.S. small businesses as a performance element in the performance plans of its Senior Executives. USAID will add similar language to the performance plans of the Agency's Senior Foreign Service Officers during the next rating cycle, which is set to begin in April 2018. The Agency is considering possible competencies related to local organizations and U.S. small businesses for inclusion in the Foreign Service Competencies Matrix for contracting officers. These changes will help ensure that Missions consider local organization and U.S. small businesses during the development of their annual acquisition and assistance (A and A) plan.

USAID Automated Directive System (ADS) Chapter 304

ADS Chapter 304, *Selecting the Appropriate Acquisition and Assistance (A&A) Instrument*, outlines the methodology the Agency's procurement staff should use to determine whether to use a grant, cooperative agreement, contract or other procurement vehicle. ADS Chapter 304 is consistent with other existing Federal regulations. The Agency is aware that both the acquisition community, including small businesses, and the assistance community have concerns regarding whether the guidance favors one community over the other. In response to these concerns, USAID has solicited feedback on the guidance from its partner communities, and will make adjustments to it if necessary.

USAID relies on current guidance in the Federal Acquisition Regulation (FAR), the Agency supplemental acquisition regulation (the USAID Acquisition Regulation), and the ADS to address how and when the Agency should use total or partial small business set-asides. USAID also relies on internal review processes, including the Small-Business Review process, the Contract Review Board (CRB), and A and A Review and Approval Documents (AARAD), to ensure that Agency gives U.S. small businesses the maximum practicable opportunity to compete for USAID opportunities.